

# **Washington State Auditor's Office**

## **Audit Report**

### **Audit Services**

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Report No. 57832

**CITY OF SPOKANE**

Spokane County, Washington

January 1, 1995 Through December 31, 1995

Issue Date: November 22, 1996

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**CITY OF SPOKANE**  
**Spokane County, Washington**  
**January 1, 1995 Through December 31, 1995**

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**Independent Auditor's Report On Compliance With Laws And Regulations  
At The Financial Statement Level (Plus Additional State Compliance  
Requirements Per RCW 43.09.260)**

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Mayor/City Council  
City of Spokane  
Spokane, Washington

We have audited the general-purpose financial statements, as listed in the table of contents, of the City of Spokane, Spokane County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated September 30, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the City of Spokane is the responsibility of the city's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the city's compliance with certain provisions of laws, regulations, contracts, and grants.

We also performed additional tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the city complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office. Our responsibility is to examine, on a test basis, evidence about the city's compliance with those requirements and to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the city and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of material noncompliance that are required to be reported herein under *Government Auditing Standards*. However, we noted instances of noncompliance immaterial to the financial statements which are identified in the Schedule of Findings accompanying this report.

This report is intended for the information of management and the mayor/city council and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag  
State Auditor

September 30, 1996

**CITY OF SPOKANE**  
**Spokane County, Washington**  
**January 1, 1995 Through December 31, 1995**

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**Independent Auditor's Report On Internal Control Structure**  
**At The Financial Statement Level**

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Mayor/City Council  
City of Spokane  
Spokane, Washington

We have audited the general-purpose financial statements of the City of Spokane, Spokane County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated September 30, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the city is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the city, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The matters involving the internal control structure and its operation that we consider to be reportable conditions are included in the Schedule of Findings accompanying this report.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described in the Schedule of Findings is a material weakness.

This report is intended for the information of management and the mayor/city council and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag  
State Auditor

September 30, 1996

**CITY OF SPOKANE**  
**Spokane County, Washington**  
**January 1, 1995 Through December 31, 1995**

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**Schedule Of Findings**

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1. Internal Controls Over Cash Receipts At Riverfront Park Should Be Improved

During our review of cash handling procedures at Riverfront Park, a system which collected in excess of \$2.6 million during 1995, we noted the following internal control weaknesses:

- a. There continues to be no timely reconciliation between sales and cash deposited.
- b. There is no control over the selling of day passes or ticket books. The park department does not track the use of these items through the use of control numbers nor is there an adequate inventory performed. The parks department sells identical tickets and day passes for different prices. This practice removes the ability to properly reconcile cash received to sales.
- c. Cash receipts are not routinely issued to customers. Issuing cash receipts to all customers would help strengthen the internal control system.
- d. The cash and check composition of the receipts is not recorded and consequently not reconciled at day end. This is an integral step for good internal controls.
- e. Employees cash personal checks from revenues. This destroys the integrity of the cash and check composition.
- f. Employees are given a discount on purchases made throughout Riverfront Park.
- g. Incompatible duties are performed by the cashiers. The cashiers are given the ability to issue, validate and redeem free passes. No numeric control exists for these passes nor are these passes inventoried or tracked.
- h. Not all transactions are run through the cash registers. Coupons/vouchers for passes and tickets are not to be run through the system.
- i. Checks are not consistently being restrictively endorsed when received.

While parks department management has made substantial improvements in the cash receipting system at Riverfront Park, internal controls over the cash collection process still are not sufficiently strong.

The weaknesses noted above result in decreased accountability over cash receipts and an increased risk that errors and/or theft could occur and not be detected.

We recommend that the parks department continue to strengthen internal controls over the cash collection process at Riverfront Park.

Auditee's Response

*Staff acknowledges auditors' recognition of progress we have been making in upgrading the control system. The Parks Department as a whole will be placing even stronger emphasis on further strengthening cash and non cash controls over Riverfront Park operations.*

2. The City's Transportation Department Should Strengthen Controls Over Cash

- a. The city's transportation department charges customers for photo copies, traffic flow maps, parking meter bags, loading zone permits, and parking. In our audit report for 1994, we noted weaknesses in controls over cash. While this system has been improved, previously identified control weaknesses continue to exist.

- (1) There continues to be inadequate segregation of duties in receipting.
- (2) There continues to be no cash accountability between clerks.
- (3) Cash deposited still is not reconciled to sales. There is no management oversight of these cash collections. Total recorded receipts for 1995 were more than \$47,500.
- (4) There is no direct review of the cash receipting work that the senior clerk is performing.
- (5) It continues to be impossible to reconcile the cash and check composition of daily receipts because mode of payment is not consistently shown on one of the several receipt forms used.
- (6) The department does not use the numeric sequence of receipts or parking decals for reconciling purposes. This destroys the ability to reconcile sales and receipts.

Because of weaknesses listed above, we believe the transportation department's cash receipting system currently in use for sales to customers cannot be relied upon to prevent irregularities and fraud.

We recommend the department do the following:

- a. Maintain separate accountability of sales and cash between the clerks.
  - b. Reconcile cash collected to sales daily.
  - c. Establish procedures for receipting and depositing all moneys received.
- b. The transportation department is responsible for collecting parking meter cash. Over \$960,000 was deposited during 1995.

In our audit report for 1994, we noted weaknesses in controls over cash. Our follow up showed that the department has developed plans for strengthening controls and has implemented some changes, but procedures are substantially unchanged since our last report. We noted the following:

- (1) Controls over the coins removed from city parking meters until the money is counted, bagged and sealed continue to be weak. From the time coins are



removed from a meter until they are counted and bagged, fraud or theft could occur without detection.

- (2) Internal controls over route collection activities of cash collectors continue to be weak.

Based on our understanding of the controls in place on parking meter collections and our audit tests on those controls, we believe the transportation department's parking meter collection activity cannot be relied upon to prevent irregularities or fraud.

We recommend the city's management continue to strengthen internal controls over the parking meter cash collection.

Auditee's Response

- A) *We will eliminate cash handling and change fund from the Department. Clerical staff will handle only check payments. Others go to the Treasurer's cashiers.*

*All receipts will be reconciled daily to sales. Cash is to be handled outside the Department.*

*We agree and will establish procedures for receipting and depositing all moneys received.*

- B) *We agree, and will build on the steps already taken and the steps in the process of implementation. Switching from mechanical to electronic parking meters (the key step in providing point to point accountability and operation information) will be a long term project, stretching over many years.*

3. Internal Controls Should Be Improved At Municipal Court

During our audit of the city's Municipal Court cash receipting system which collected more than \$2 million in 1995, we noted the following internal control weaknesses:

- a. Cashiers have inadequate segregation of duties. The cashiers receipt cash, create time pays, post adjustments to daily receipts and accounts receivable files in the District Court Information Systems (DISCIS). These are incompatible duties for the cashiers.
- b. Cashiers reduce the amounts due on tickets, referred to as counter mitigation, without adequate management review or authorization.
- c. Cashiers are given improper access to the DISCIS computer system. Cashiers have been assigned the accountant user identification which allows them special privileges of completing overrides, creating time pays, and reversing receipts.
- d. There is no evidence of an independent review of DISCIS created audit reports. Audit adjustment reports are given a limited cursory review.
- e. Checks are not being restrictively endorsed at the time of payment.
- f. Receipts are not issued timely. The DISCIS system will not accept payments prior to data entry of the receivable. No receipts are issued by the court until the DISCIS system has been updated on these types of payments. Instead the payments are retained by the cashiers. This does not establish accountability at the time of payment.

- g. Documentation and procedures over the issuance of manual receipts are not adequate. Manual receipts are issued when the DISCIS system has crashed and are used to enter the transaction into the system later. These manual receipts do not have the computer generated receipt attached to create an audit trail for management oversight.

RCW 43.09.200 states in part:

The accounts shall show the . . . documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction . . .

The court's management contends that work load issues and staffing considerations limit the court's ability to implement adequate controls over cash handling.

Inadequate internal controls over cash receipting increases the court's exposure to theft.

We recommend that internal controls over cash receipting and posting adjustments to receivables be strengthened. We further recommend the audit reports be reviewed and retained with evidence of review.

Auditee's Response

*We agree and will implement corrective action as possible. The Court has neither the adequate personnel nor the required supporting additional office space to further segregate the cashiering functions. Where it is possible to further strengthen controls in this area, we will. And we will take action to fully address the other audit findings.*

4. The City Should Strengthen Accounting Controls Over Fixed Assets

During our audit of the city's fixed asset system, we noted that not all fixed assets acquired by the city are being recorded in the city's general fixed asset account group. It was impractical for us to determine the extent to which fixed assets were not recorded or to determine the cost of unrecorded fixed assets. We further noted that departments are not conducting an inventory of fixed assets every two years as required by city policy. Therefore, there is no assurance that items recorded in the general fixed asset account group are actually in the possession of the city.

As noted in prior audit reports, the city also does not maintain detailed records for a significant number of parcels of land in the general fixed asset account group. As the city discloses in Note 16 of the financial statements, the city owns approximately 1,350 parcels of land which are recorded in the general fixed asset account group, but are not assigned to any particular fund or department and are not recorded with a dollar value. We were unable to determine cost of the land.

The State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual requires cities with a population over 8,000 to account for fixed assets.

City departments that fail to record fixed assets in the general fixed asset account group and that fail to conduct periodic inventories of fixed assets are not establishing accountability over fixed assets and are not adequately safeguarding the city's fixed assets from theft.

Because we were unable to determine the cost of land in the general fixed asset account group, we have qualified our opinion on the city's financial statements. This condition has been known since the audit of 1983.

Weak controls and a lack of management emphasis have resulted in the problems identified in the city's fixed asset system.

We recommend the city correct the weaknesses in accountability and the safeguarding of fixed assets.

Auditee's Response

*We agree. The number of parcels of land which are recorded in the General Fixed Asset Account Group and not assigned to any particular fund is currently 1,462.*

*Considerable effort has been made, with the City's Real Estate Division playing a lead role, in developing a policy for managing City real property records on the Fixed System. For 1996, approximately \$1 million of land (at historical cost) has been added, to bring the accounted-for total to over \$2.5 million. The approach has been to work first on the larger segments, which comprise approximately 80% of the dollar value of all land being accounted for.*

*Steps have been taken to bring all departments into compliance with the City's policies regarding inventories and recording of all fixed assets into the General Fixed Assets Account Group.*

*It is our goal that all fixed assets, with the exception of land, will be recorded and inventoried.*

*Thank you for the cooperation we have received from your office and staff.*

Auditor's Concluding Remarks

We appreciate the city's timely response to our audit findings. It appears that the concerns noted in these findings are being adequately addressed. We will review the city's progress in these areas during our next regularly scheduled audit.

We also wish to thank the city's officials and personnel for their assistance and cooperation during our audit.



**CITY OF SPOKANE**  
**Spokane County, Washington**  
**January 1, 1995 Through December 31, 1995**

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**Independent Auditor's Report On Financial Statements And Additional  
Information**

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Mayor/City Council  
City of Spokane  
Spokane, Washington

We have audited the accompanying general-purpose financial statements of the City of Spokane, Spokane County, Washington, as of and for the fiscal year ended December 31, 1995, as listed in the table of contents. These financial statements are the responsibility of the city's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 16, the city does not maintain detailed records for a significant amount of land in the fixed asset account group. We were unable to apply sufficient alternative audit procedures to establish land values. Therefore, we cannot express an opinion on the fixed asset account group.

In our opinion, except for the fixed asset account group which did not have subsidiary ledgers as noted above, for which our work was not sufficient to express and we do not express an opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Spokane, at December 31, 1995, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds for the fiscal year then ended, in conformity with generally accepted accounting principles.

The Historical Pension Information on the city's Firemen's and Police Pension Funds for the fiscal year ended December 31, 1995, is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of State Financial Assistance listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 30, 1996, on our consideration of the city's internal control structure and a report dated September 30, 1996, on its compliance with laws and regulations.

Brian Sonntag  
State Auditor

September 30, 1996

**CITY OF SPOKANE**  
**Spokane County, Washington**  
**January 1, 1995 Through December 31, 1995**

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**Independent Auditor's Report On Supplementary Information**  
**Schedule Of Federal Financial Assistance**

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Mayor/City Council  
City of Spokane  
Spokane, Washington

We have audited the general-purpose financial statements of the City of Spokane, Spokane County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated September 30, 1996. These financial statements are the responsibility of the city's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements of the City of Spokane taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the financial statements. The information in the schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Brian Sonntag  
State Auditor

September 30, 1996

**CITY OF SPOKANE**  
**Spokane County, Washington**  
**January 1, 1995 Through December 31, 1995**

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**Independent Auditor's Report On Compliance With The General Requirements  
Applicable To Federal Financial Assistance Programs**

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Mayor/City Council  
City of Spokane  
Spokane, Washington

We have audited the general-purpose financial statements of the City of Spokane, Spokane County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated September 30, 1996.

We have applied procedures to test the city's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedule of Federal Financial Assistance, for the fiscal year ended December 31, 1995:

- Political activity
- Davis-Bacon Act
- Civil rights
- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Drug-Free Workplace Act
- Administrative requirements, including subrecipient monitoring

The following requirement was determined to be not applicable to its federal financial assistance programs:

- Relocation assistance and real property acquisition

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's (OMB) *Compliance Supplement for Single Audits of State and Local Governments* or alternative procedures. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the city's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the city had not complied, in all material respects, with those requirements.

This report is intended for the information of management and the mayor/city council and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited.



It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag  
State Auditor

September 30, 1996

**CITY OF SPOKANE**  
**Spokane County, Washington**  
**January 1, 1995 Through December 31, 1995**

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**Independent Auditor's Report On Compliance With Specific Requirements  
Applicable To Major Federal Financial Assistance Programs**

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Mayor/City Council  
City of Spokane  
Spokane, Washington

We have audited the general-purpose financial statements of the City of Spokane, Spokane County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated September 30, 1996.

We also have audited the city's compliance with the requirements applicable to its major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance, for the fiscal year ended December 31, 1995. Those requirements include:

- types of services allowed or unallowed
- eligibility
- matching, level of effort, or earmarking
- reporting
- special tests and provisions related to approvals, environmental reviews, program income, and subrecipient agreements (CFDA 14.218); contract amounts charged entirely to training (CFDA 17.246 to 17.250); and vouchers, right-of-way, extensions, and sampling and testing (CFDA 20.205) as described in the OMB *Compliance Supplement for Single Audits of State and Local Governments*
- claims for advances and reimbursements
- and amounts claimed or used for matching

The management of the city is responsible for the city's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the city's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the City of Spokane complied, in all material respects, with the requirements referred to in the second paragraph of this report that are applicable to its major federal financial assistance programs for the fiscal year ended December 31, 1995.

This report is intended for the information of management and the mayor/city council and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag  
State Auditor

September 30, 1996

**CITY OF SPOKANE**  
**Spokane County, Washington**  
**January 1, 1995 Through December 31, 1995**

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**Independent Auditor's Report On Internal Control Structure Used In  
Administering Federal Financial Assistance Programs**

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Mayor/City Council  
City of Spokane  
Spokane, Washington

We have audited the general-purpose financial statements of the City of Spokane, Spokane County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated September 30, 1996. We have also audited their compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated September 30, 1996.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the city complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audit, we considered the city's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and on compliance with requirements applicable to major federal assistance programs and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated September 30, 1996.

The management of the city is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- Assets are safeguarded against loss from unauthorized use or disposition.
- Transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.
- Federal financial assistance programs are managed in compliance with applicable laws and regulations.

Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

- **Accounting Controls**
  - Cash receipts
  - Cash disbursements
  - Purchasing and receiving
  - Payroll
  - General ledger
- **General Requirements**
  - Political activity
  - Davis-Bacon Act
  - Civil rights
  - Cash management
  - Federal financial reports
  - Allowable costs/cost principles
  - Drug-Free Workplace Act
  - Administrative requirements, including subrecipient monitoring
- **Specific Requirements**
  - Types of services
  - Eligibility
  - Matching, level of effort, earmarking
  - Reporting
  - Special requirements
- **Claims For Advances And Reimbursements**
- **Amounts Claimed Or Used For Matching**

For all of the applicable internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

The following internal control structure categories were determined to be insignificant to federal financial assistance programs:

- **Accounting Controls**
  - Receivables
  - Accounts payable
  - Inventory control
  - Property, plant, and equipment
- **General Requirements**
  - Relocation assistance and real property acquisition

During the fiscal year ended December 31, 1995, the city expended 95 percent of its total federal financial assistance under major federal financial assistance programs.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements, and amounts claimed or used for matching that are applicable to the city's major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses.

This report is intended for the information of management and the mayor/city council and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag  
State Auditor

September 30, 1996

**CITY OF SPOKANE**  
**Spokane County, Washington**  
**January 1, 1995 Through December 31, 1995**

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**Status Of Prior Findings**

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The findings contained in the prior audit report were resolved as follows:

1. Internal Controls Over Cash Receipts At The Spokane Public Library Should Be Improved  
*Resolution: The Spokane Public Library strengthened controls over cash receipts.*
2. Internal Controls Over Accounts Receivable At The Spokane Public Library Should Be Improved  
*Resolution: The Spokane Public Library has improved controls over accounts receivable.*
3. Internal Controls Over Cash Receipts At Riverfront Park Should Be Improved  
*Resolution: There are several control weaknesses over cash receipting at Riverfront Park that need to be strengthened. The finding has been repeated for 1995.*
4. The City's Transportation Department Should Strengthen Controls Over Cash  
*Resolution: The city has a plan for strengthening controls and has made some progress, but weaknesses still exist. The finding has been repeated for 1995.*
5. The City Should Strengthen Accounting Controls Over Fixed Assets  
*Resolution: The city is in the process of strengthening the controls over fixed assets.*

**CITY OF SPOKANE**  
**Spokane County, Washington**  
**January 1, 1995 Through December 31, 1995**

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**Status Of Prior Questioned Costs**

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<u>Grants</u>	<u>Audit Report Year</u>	<u>Costs Questioned</u>	<u>Current Status</u>	
			<u>Unresolved</u>	<u>Resolved</u>
DOT (CFDA 20.205) Administrative Settlements	1991	\$4,655	X	